

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 CIAE-00
DODE-00 NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00
XMB-02 OPIC-03 FEA-01 AGRE-00 CEA-01 COME-00
EB-08 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
PA-01 AID-05 SS-15 ITC-01 TRSE-00 PRS-01 SP-02
OMB-01 /094 W
-----116916 301857Z /43

O R 301733Z AUG 77
FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 737
INFO AMEMBASSY OTTAWA

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USMTN

ACTION STR FOR AMBASSADOR WOLFF AND FEKETEKUTY; ALSO
PLEASE PASS MCNAMARA

E O 11652: NA
TAGS: ETRN, MTN
SUBJ: CANADIAN PROPOSALS ON TARIFFS AND SECTORS

1. CANADIANS ARE AWARE THAT U.S. POLICY DECISION IS IMMI-
NENT FOR ADOPTION OF U.S. POSITION ON TARIFF PLAN IN MTN
IN LIGHT OF BILATERALS WITH KEY COUNTRIES (INCLUDING
CANADA) OVER PAST SIX WEEKS. THEY HAVE BEEN ANXIOUS TO
GET THEIR VIEWS INTO WASHINGTON BEFORE U.S. POSITION IS
FIXED. AMBASSADOR GREY ACCORDINGLY GAVE ME LATE TODAY THE
PAPER REPRODUCED BELOW (MARKED 'CONFIDENTIAL'). A COVER
NOTE SAYS THESE TALKING POINTS ARE THE CANADIAN RESPONSE TO
THE COMMENTS MADE BY AMB WOLFF ON JULY 29 ON THE CANADIAN
TALKING POINTS WHICH WERE GIVEN TO AMBASSADOR STRAUSS IN
WASHINGTON ON MAY 25 BY AMBASSADOR WARREN. GREY ADDED
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ORALLY THAT THE NEW TEXT WAS CLEARED IN OTTAWA THIS MORNING BY
INTERAGENCY GROUP CHAIRED BY AMBASSADOR WARREN. GREY ALSO ADDED
HE IS PREPARING AN INDICATIVE LIST OF SPECIFIC CANADIAN INTEREST
IN U.S. TARIFFS FIVE PERCENT AND BELOW AND EXPECTS TO GIVE IT TO ME
TOMORROW. IN INTERESTS OF TIME, I AM SENDING TEXT HERewith WITHOUT
COMMENT BUT I MAY COMMENT IN NEXT DAY OR TWO AFTER CONSULTATION
WITH MY CURRENTLY SOMEWHAT DEPLETED STAFF.

2. BEGIN TEXT: CANADIAN TALKING POINTS
CONSIDERATION TO BE INCORPORATED IN A TARIFF PLAN AND DECISIONS
ON RELATED ISSUES TO BE ADOPTED BY THE CONFERENCE

1. THE FOLLOWING PROVISIONS OF THE TOKYO DECLARATION ARE PARTICULARLY RELEVANT TO THE DEVELOPMENT OF A TARIFF PLAN:

- THE NEGOTIATIONS SHOULD AIM, INTER ALIA, TO "CONDUCT NEGOTIATIONS ON TARIFFS BY EMPLOYMENT OF APPROPRIATE FORMULAE OF AS GENERAL APPLICATION AS POSSIBLE." (PARAGRAPH 3A)
- THE NEGOTIATIONS SHOULD "INCLUDE EXAMINATION OF THE POSSIBILITIES FOR THE COORDINATED REDUCTION OR ELEMINATION OF ALL BARRIERS TO TRADE IN SELECTED SECTORS AS A COMPLEMENTARY TECHNIQUE." (PARAGRAPH 3C)
- "THE NEGOTIATIONS SHALL BE CONDUCTED ON THE BASIS OF THE PRINCIPLES OF MUTUAL ADVANTAGE, MUTUAL COMMITMENT AND OVERALL RECIPROCITY, WHILE OBSERVING THE MFN CLAUSE, AND CONSISTENTLY WITH THE PROVISIONS OF THE GENERAL AGREEMENT RELATING TO SUCH NEGOTIATIONS." (PARAGRAPH 5)
- "PARTICIPANTS SHALL JOINTLY ENDEAVOUR IN THE NEGOTIATIONS TO ACHIEVE, BY APPROPRIATE METHODS, AN OVERALL BALANCE OF RECIPROCITY AT THE HIGHEST POSSIBLE LEVEL." (PARAGRAPH 5)
- "THE NEGOTIATIONS SHALL BE CONSIDERED AS ONE UNDERTAKING, THE VARIOUS ELEMENTS OF WHICH SHALL MOVE FORWARD TOGETHER." (PARAGRAPH 8)

2. AT THE DOWNING STREET SUMMIT, PARTICIPANTS COMMITTED THEMSELVES
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TO "PROVIDE STRONG POLITICAL LEADERSHIP TO EXPAND OPPORTUNITIES FOR TRADE TO STRENGTHEN THE OPENING INTERNATIONAL TRADING SYSTEM WHICH WILL INCREASE JOB OPPORTUNITIES." TO THIS END THEY AGREED TO SEEK THIS YEAR "A TARIFF REDUCTION PLAN OF BROADEST POSSIBLE APPLICATION DESIGNED TO ACHIEVE A SUBSTANTIAL CUT AND HARMONIZATION AND IN CERTAIN CASES THE ELIMINATION OF TARIFFS."

3. ON MAY 25, 1977, CANADIAN REPRESENTATIVES MET WITH UNITED STATES REPRESENTATIVES IN WASHINGTON TO REVIEW THE STATE OF PLAY IN THE NEGOTIATIONS, ESPECIALLY AS IT RELATES TO TARIFFS, SECTORS AND SUPPLY. THE CANADIAN REPRESENTATIVES URGED THE UNITED STATES REPRESENTATIVES TO MODIFY THEIR TARIFF PROPOSAL TO PROVIDE IN THE PLAN FOR THE REMOVAL OF DUTIES FIVE PER CENT AND LESS (SUBJECT, OF COURSE, TO THE EXCEPTIONS RULES AND PROCEDURES AND TO RECIPROCITY BEING ACHIEVED), AND TO SUPPORT CANADA'S PROPOSAL TO INITIATE SECTOR NEGOTIATIONS FOR FOREST PRODUCTS AND NON-FERROUS METALS IN PARALLEL WITH THE TARIFF NEGOTIATIONS. THE CANADIAN REPRESENTATIVES EMPHASIZED THAT THESE SUGGESTIONS WERE DESIGNED TO ACHIEVE AN OVERALL BALANCE OF RECIPROCITY AT THE HIGHEST POSSIBLE LEVEL. (CANADA'S VIEWS WERE SUMMARIZED IN THE PAPER ENTITLED, "CANADIAN TALKING

POINTS - MTN: TARIFFS/SECTORS/ SUPPLY" WHICH WAS GIVEN TO AMBASSADOR STRAUSS.)

4. SUBSEQUENTLY, THE UNITED STATES AUTHORITIES SUGGESTED THAT A TARIFF PLAN SHOULD BE AGREED BY OCTOBER 1, 1977. TO HELP ACHIEVE THIS OBJECTIVE, THE PARAGRAPHS BELOW OUTLINE CERTAIN CONSIDERATIONS WHICH, IN CANADA'S VIEW, SHOULD BE REFLECTED IN DECISIONS TO BE TAKEN BY THE CONFERENCE.

SECTOR NEGOTIATIONS

5. THE CANADIAN DELEGATION HAS OUTLINED IN DETAIL THE CASE FOR NEGOTIATIONS ON A "SECTOR" BASIS IN RELATION TO THE TRADE IN CERTAIN RESOURCE-BASED PRODUCTS. CANADA HAS MADE SPECIFIC PROPOSALS FOR LIMITED OFFICIAL USE

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"SECTOR" NEGOTIATIONS IN FOREST PRODUCTS AND NON-FERROUS METAL PRODUCTS AND WOULD BE PREPARED TO CONSIDER ADDITIONAL PROPOSALS FOR SUCH NEGOTIATIONS BY OTHER PARTICIPANTS. IT IS OUR VIEW THAT, IN ORDER TO IMPROVE THE PROSPECTS FOR CANADA ACHIEVING RECIPROCITY, THE CONFERENCE SHOULD DECIDE THAT "SECTOR" NEGOTIATIONS SHOULD NOW BE INITIATED IN THESE SECTORS.

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6. ACCORDINGLY, THE CANADIAN DELEGATION CONSIDERS THAT THE FOLLOWING DECISION SHOULD BE TAKEN BY THE CONFERENCE:

"SECTOR NEGOTIATIONS SHALL BE UNDERTAKEN ON THE BARRIERS AFFECTING THE TRADE OF A RANGE OF FOREST PRODUCTS AND NON-FERROUS METAL PRODUCTS. THESE NEGOTIATIONS SHALL COMPLEMENT THE TARIFF NEGOTIATIONS UNDER THE TARIFF PLAN AND THE OTHER GENERAL SOLUTIONS ADOPTED TO LIBERALIZE TRADE AND GO FURTHER THAN THESE GENERAL SOLUTIONS TOWARD ACHIEVING THE OBJECTIVES OF THE TOKYO ROUND NOEGOTIATIONS. SPECIFICALLY, THE 'SECTOR' NEGOTIATIONS SHALL AIM, INTER ALIA, TO:

(I) ELIMINATE TARIFFS ON THE PRODUCTS IN THESE SECTORS, OR REDUCE THEM TO THE MAXIMUM EXTENT POSSIBLE BY HARMONIZING RATES OF DUTY AT THE LOWEST LEVELS POSSIBLE;

(II) ELIMINATE NON-TARIFF MEASURES AFFECTING THE TRADE IN THESE PRODUCTS OR, WHERE THIS IS NOT APPROPRIATE, TO REMOVE OR REDUCE THE TRADE DISTORTING EFFECTS OF SUCH MEASURES AND TO BRING ALL SUCH MEASURES UNDER EFFECTIVE INTERNATIONAL DISCIPLINE;
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(III) ESTABLISH RIGHTS AND OBLIGATIONS ADDITIONAL TO THOSE NOW IN THE GATT TO INCREASE THE SECURITY OF SUPPLY OF THE PRODUCTS INCLUDED IN THESE SECTORS; AND

(IV) ESTABLISH ADDITIONAL RIGHTS, OBLIGATIONS AND INSTITUTIONS TO ENSURE THAT THE LIBERALIZATION OF TRADE THUS ACHIEVED IS NOT SUBSEQUENTLY IMPAIRED, ESPECIALLY WITH REGARD TO EMERGENCY ACTION AGAINST IMPORTS AND EXPORTS, AND WITH REGARD TO SURVEILLANCE AND DISPUTE SETTLEMENT.

MORE GENERAL NEGOTIATIONS REGARDING EXPORT MEASURES SHALL BE INITIATED ONLY AFTER SUBSTANTIAL PROGRESS HAS BEEN MADE IN THESE SECTOR NEGOTIATIONS."

DUTIES FIVE PER CENT OR LESS

7. THE UNITED STATES DELEGATION HAS STATED THAT IT IS PREPARED TO CONSIDER USING ITS AUTHORITY UNDER THE TRADE ACT TO PROVIDE FOR FREE ENTRY FOR THOSE UNITED STATES TARIFF ITEMS DUTIABLE AT FIVE PER CENT OR LESS WHICH ARE OF INTEREST TO CANADA. THE CANADIAN DELEGATION HAS NOTED THAT THIS WOULD INVOLVE CANADA NEGOTIATING IMPORTANT UNITED STATES TARIFF REDUCTIONS ON AN ITEM-BY-ITEM BASIS RATHER THAN UNDER THE WORKING HYPOTHESIS, WHILE THE TARIFF REDUCTIONS THE UNITED STATES WOULD WANT IN THE CANADIAN TARIFF WOULD BE COVERED BY THIS HYPOTHESIS. IN ORDER TO IMPROVE THE PROSPECTS FOR CANADA ACHIEVING RECIPROCITY, THE UNITED STATES DELEGATION SHOULD AGREE, PRIOR TO THE TARIFF PLAN BEING ADOPTED, (A) THAT THE UNITED STATES WILL BE PREPARED TO

USE ITS AUTHORITY UNDER THE TRADE ACT TO PROVIDE FREE ENTRY FOR THOSE
TARIFF ITEMS OF EXPORT INTEREST TO CANADA WHERE THE UNITED STATES
RATE IS FIVE PERCENT OR LESS, AND (B) THAT THE TARIFF PLAN INCORP-
ORATE A PROVISION REQUIRING THE BINDING AT FREE OF TARIFF ITEMS
COVERING PRODUCTS ACCOUNTING FOR NOT LESS THAN A FIXED PERCENTAGE OF
EACH PARTICIPANT'S MOST-FAVOURED-NATION IMPORTS OF SEMI-FINISHED
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AND FINISHED PRODUCTS OF INTEREST TO OTHER PARTICIPANTS. IN NEGOT-
IATIONS UNDER THE TARIFF WORKING HYPOTHESIS, PARTICIPANTS SHOULD
TABLE LIST OF ITEMS THEY ARE PREPARED TO BIND AT FREE (AS WELL AS
OTHER ITEMS FOR WHICH THEY ARE PREPARED TO MAKE REDUCTIONS GREATER
THAN CALLED FOR UNDER THE WORKING HYPOTHESIS) AT THE SAME TIME AS
THEY TABLE THEIR EXCEPTIONS UNDER THE WORKING HYPOTHESIS.

EXCEPTIONS

8. THE TARIFF PLAN SHOULD RECOGNIZE THAT EXCEPTIONS, IN WHOLE OR IN
PART, UNDER THE WORKING HYPOTHESIS OFOR REDUCING TARIFFS WHICH MAY
BE ADVANCED BY THE MAJOR INDUSTRIALIZED COUNTRIES COULD FAIL TO
PROVIDE A BALANCE OF CONCESSIONS AND REDUCE THE TARIFF-CUTTING POSSI-
BILITIES OF OTHER PARTICIPANTS HIGHLY DEPENDENT ON THE TRADE IN
THOSE PARTICULAR PRODUCTS. SUBJECT TO OVERALL RECIPROCITY THE TARIFF
PLAN SHOULD ALSO INCORPORATE PROVISIONS TO LIMIT THE EXCEPTIONS THAT
EACH PARTICIPANT CAN CLAIM; THIS MIGHT BE DONE BY PROVIDING THAT
THE APPLICATION OF THE WORKING HYPOTHESIS BY EACH PARTICIPANT SHOULD
BRING ABOUT A REDUCTION BY EACH PARTICIPANT OF ITS TARIFFS BY NOT
LESS THAN A FIXED PERCENTAGE ON A WEIGHTED AVERAGE BASIS.

9. OTHER PROVISIONS REGARDING EXCEPTIONS THAT SHOULD BE INCORPORATED
IN THE TARIFF PLAN INCLUDE THE FOLLOWING:

(A) PARTICIPANTS SHALL KEEP THEIR EXCEPTIONS TO A BARE MINIMUM;

(B) TARIFFS COVERING IMPORTS WHICH DO NOT REPRESENT A SUBSTANTIAL
PORTION OF THE DOMESTIC CONSUMPTION OF SUCH PRODUCTS SHALL NOT
NORMALLY BE EXCEPTED; AND

(C) INDIVIDUAL EXCEPTIONS SHALL BE SUBJECT TO CONSULTATIONS WITH
INTERESTED PARTICIPANTS AND AT THE APPROPRIATE TIME TO A PROCESS OF
MULTILATERAL EXAMINATION.

RECIPROCITY

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10. THE TARIFF PLAN SHOULD PROVIDE THAT TARIFF REDUCTIONS WHICH ARE GREATER THAN THOSE CALLED FOR BY APPLICATION OF THE WORKING HYPOTHESIS (INCLUDING, OF COURSE, SUCH TARIFF REDUCTIONS AGREED IN THE SECTOR NEGOTIATIONS) ARE TO BE TAKEN INTO ACCOUNT IN MEASURING THE WEIGHTED AVERAGE DEPT OF CUTS AND IN CONSIDERING EACH PARTICIPANT'S PROPOSED EXCEPTIONS.

11. THE TARIFF PLAN SHOULD RECOGNIZE THAT RECIPROCITY IN THE NEGOTIATIONS WILL NEED TO TAKE INTO ACCOUNT SOLUTIONS REACHED ON NON-TARIFF MEASURES, WHETHER AFFECTING SPECIFIC PRODUCTS OR OF GENERAL APPLICATION, AS WELL AS THE EXTENT TO WHICH SUCH MEASURES ARE BROUGHT UNDER MORE EFFECTIVE INTERNATIONAL DISCIPLINE.

12. THE TARIFF PLAN SHOULD ALSO RECOGNIZE THAT PARTICIPANTS SHALL TAKE ACCOUNT OF THE EXTENT TO WHICH MUTUALLY SATISFACTORY SOLUTIONS ARE ACHIEVED WITH RESPECT TO TRADE IN AGRICULTURAL PRODUCTS.

STAGING OF TARIFF CUTS

13. THE TARIFF PLAN SHOULD RECOGNIZE THAT NORMALLY INDUSTRIES OR PARTS OF INDUSTRIES WILL NEED A REASONABLE OPPORTUNITY TO ADJUST TO THE TRADE LIBERALIZATION RESULTION FROM THE APPLICATION OF TARIFF REDUCTIONS. ACCORDINGLY, THE PLAN SHOULD PROVIDE THAT TARIFFS MAY BE REDUCTED IN ANNUAL STAGES OVER, SAY, FIVE YEARS, BUT THAT IT MAY BE NECESSARY TO PHASE SOME TARIFF REDUCTIONS OVER LONGER PERIODS.
END TEXT
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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, TARIFFS
Control Number: n/a
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Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
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Disposition Date: 22 May 2009
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Executive Order: N/A
Errors: N/A
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1395912
Secure: OPEN
Status: NATIVE
Subject: CANADIAN PROPOSALS ON TARIFFS AND SECTORS
TAGS: ETRN, US, CA, MTN
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/eda08c4e-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009